FAQ's FOR WASHINGTON STATE 2010 INCOME LIMITS

Tax Credits, Multifamily and HOME

Q: Can you explain how the new income limits work for new and existing projects and how the limits will be applied in WBARS?

A: It is now necessary to track Placed-In-Service (PIS) Dates for all Projects. PIS dates are necessary now because existing projects will be "Held Harmless" from new, lower income limits, but will also be able to take advantage of new, higher limits. Since limits may increase and decrease from year to year it is now necessary to track PIS dates to allow existing projects to take advantage of the highest limit that applies to a project based on the first building PIS in a Site for a project.

Q: Are there different limits for tax credit projects, non-tax credit projects and HOME units?

A: Yes. In WBARS, there are currently three sets of income limits for 1449 projects.

1. Tax Credit MTSP limits and Tax Credit HERA limits are for any project with Tax Credit financing: currently 729 projects in the system.
2. Multifamily limits (based on Section 8 limits) are for any projects that were financed by other public funders but have no tax credits: currently 720 projects in the system.
3. HOME limits are for <u>units</u> designated by the owner as HOME assisted.

Q: Why three sets of limits – what's the difference?

A: Each set of limits has a different set of rules.

- **TC MTSP and TC HERA Limits:** new limits were effective 5/14/2010. TC projects benefit from an additional cut-off date of 12/31/2008, as a result of national 2008 HERA legislation (Housing and Economic Recovery Act of 2008). Projects PIS prior to 12/31/2008 may continue to have higher limits than those allowed for newer projects, therefore an earlier PIS date must be tracked for TC projects.
- **Multifamily Limits** (use Section 8 limits as a baseline for Multifamily)**:** new Section 8 limits were effective 5/14/2010. HUD alters Section 8 income limits for very low cost and high cost areas, particularly for 30% and 80% AMI. Tax Credit 30 and 80% limits are calculated directly from 50% TC limits – so these numbers will not always be the same. Additionally, in the eight HERA-affected counties, most of the limits are different.
- **HOME Limits:** new limits are effective 6/26/2010. Limits prior to this date have always been held harmless. HUD has decided to continue holding ***Rent Limits harmless*** but let ***Income Limits decline*** when the area median income declines.

Q: Will Multifamily Limits be held harmless in WBARS in the same manner as Tax Credits?

A: Yes. For existing projects, income and rent limits will not decline, even if published Section 8 limits decline. Funders realize that it could be difficult financially for a project to lower rents for current or new residents.

Q: What about new projects?

A: New projects, whether Tax Credit-financed or Multifamily-financed, are expected to adhere to the current income limits in effect at the time they place the first building in service for a project. Funders will need to forecast and underwrite to potentially lower income and rent limits between application stage and PIS to ensure long-term financial feasibility of a project. HUD has agreed to restrict both TC MTSP and Section 8 income limit decreases for counties and metropolitan areas to no more than 5% annually.

Q: Are HOME limits restricted in the same manner?

A: No. HOME has agreed to hold rents harmless, but not incomes, even on existing projects.

HOME Existing Projects

Q: So for ***existing projects***, does this mean I can keep my HOME rents at current levels, even if newly published HOME rent limits go down?

A: Yes. For existing projects, it is not necessary to lower ***rents*** for current or new residents/households. However, when new households move in they must be ***income qualified*** at the new, current income limit, even if it's lower than the income limit for previously qualified households.

HOME New Projects

Q: What about newly placed-in-service projects with HOME units?

A: New projects with HOME limits must adhere to the current rent and income limits published by HOME, based on the placed-in-service date for the first building in the project. Again, funders will need to forecast potentially lower rent limits between application stage and PIS to ensure long-term financial feasibility.

Tax-Exempt Bond Projects

Q: Are the TC MTSP and TC HERA income limits the same limits that are used for tax-exempt bond projects?

A: Yes. Tax-Exempt Bond projects have no rent limits, but are subject to income limits at 50, 60 and 80% AMI. The MTSP limits posted on our website and in WBARS are the same for Tax Credit and Tax-Exempt Bond projects.

Q: If limits decline, do I use the Placed-In-Service (PIS) date for my bond project or the bond closing date to set my income limit floor?

A: For Acquisition/Rehabilitation projects, use the Bond Closing Date. For New Construction projects, use the PIS date of the first building in the project. PIS is typically the date that the project receives Certificates of Occupancy from the city building inspector.

All Projects

Q: What if I'm unsure which limits apply to my project?

A: We have published a list of all WSHFC Tax Credit and Tax-Exempt Bond projects on our website that lists the income limit table that applies to your project at *www.wshfc.org/limits/map.asp*. We will also be updating WBARS so that your project always displays the correct limits that apply.